

**Mason Township
Arenac County, Michigan**

**Financial Report
With Supplemental Information**

June 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Mason Township	County Arenac
Fiscal Year End June 30, 2006	Opinion Date November 21, 2006	Date Audit Report Submitted to State December 6, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

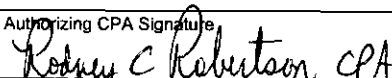
SE
X

☒ **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

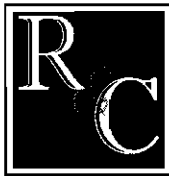
If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs, P.C.		Telephone Number 989-685-2411	
Street Address 103 E. Main Street		City Rose City	State MI
		Zip 48654	
Authorizing CPA Signature 		Printed Name Rodney C. Robertson	
		License Number 1101007829	

Mason Township
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ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

INDEPENDENT AUDITOR'S REPORT

Township Board
Mason Township
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Mason Township as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mason Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund balance information of Mason Township as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and page 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter, CPAs, P.C.

Robertson & Carpenter CPAs, P.C.

November 21, 2006

Management's Discussion and Analysis

As management of Mason Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the year ended June 30, 2006.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$284,283 (*net assets*). Of this amount, \$191,889 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- The Township's total net assets increased by \$12,779.
- As of the close of the current fiscal year, the Township's general fund, the only governmental fund, reported an ending fund balance of \$191,889, a decrease of \$32,975 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$191,889. The Township Board has designated \$77,117 for Township hall and \$30,990 for road improvements. The unreserved fund balance of \$191,889 is 151% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township consist of general government, public safety, public works and recreation. The Township does not have any business-type activities as of and for the year ended June 30, 2006.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township consist of one category: governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Township adopts an annual appropriated budget for the General Fund. Budgetary comparison statements or schedules have been provided for the General Fund herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-22 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$284,283 at the close of the most recent fiscal year.

A portion of the Township's net assets (\$92,394, or 48%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment). The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	Governmental Activities 6/30/06	Governmental Activities 6/30/05
Cash and Cash equivalents	\$ 183,133	\$ 212,910
Receivables	10,063	12,669
Capital Assets, Net	92,394	46,640
Total Assets	\$ 285,590	\$ 272,219
Current Liabilities	\$ 1,307	\$ 715
Total Liabilities	\$ 1,307	\$ 715
Net Assets:		
Invested in Capital Assets (net of debt)	92,394	46,640
Unrestricted	191,889	224,864
Total Net Assets	\$ 284,283	\$ 271,504

The Township's net assets increased by \$12,779 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, decreased by \$32,975 or 15%, during fiscal year ended June 30, 2006.

Township's Changes in Net Assets

	Governmental Activities 6/30/06	Governmental Activities 6/30/05
Revenue:		
Program Revenue:		
Charges for Services	\$ 500	\$ 700
Operating Grants	0	0
General Revenue:		
Property Taxes	22,421	20,957
State Shared Revenues	63,709	66,220
Interest Earnings	4,278	4,055
Other	3,279	2,571
Total Revenue	\$ 94,187	\$ 94,503
Expenses:		
General Government	\$ 57,979	\$ 60,081
Public Safety	16,000	8,000
Public Works	6,636	8,593
Recreation and Culture	793	366
Total Expenses	\$ 81,408	\$ 77,040
Increase in Net Assets	12,779	17,463
Net Assets, Beginning of Year	271,504	254,041
Net Assets, End of Year	\$ 284,283	\$ 271,504

Governmental activities. The Township's governmental revenues decreased by \$316, with a small increase in property tax revenue and a decrease in state shared revenues. Expenses increased by \$4,368. The increase was primarily due to an increase in the Township's payment for fire protection services.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental fund reported an ending fund balance of \$191,889, a decrease of \$32,975 in comparison with the prior year. The *unreserved fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount. The Township Board has designated \$77,117 for Township Hall and \$30,990 for road improvements.

The only governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent 151% of total general fund expenditures.

Fund balance in the General Fund decreased by \$32,975 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The only budgeted fund is the General Fund. There were no amendments to the budget during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of June 30, 2006, was \$92,394 (net of accumulated depreciation). Investment in capital assets includes land, buildings, vehicles and equipment. Additions during the year totaled \$50,099, including road construction of \$49,399.

Township's Capital Assets (net of depreciation)

	Governmental Activities 6/30/06	Governmental Activities 6/30/05
Land	\$ 400	\$ 400
Infrastructure	63,867	16,993
Land improvements	2,272	2,459
Buildings	17,510	17,973
Furniture and equipment	8,345	8,815
Total	\$ 92,394	\$ 46,640

Additional information on the Township's capital assets can be found in note 5 on pages 20 and 21 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the year ending June 30, 2007:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. The Township received \$63,709 in state shared revenues and Metro Act money during the year ended June 30, 2006. This revenue represents 68% of the revenues of the Township. The amounts of state shared revenues for future periods are uncertain and will have a significant impact on the Township's budget. Our budgets were prepared with these factors in mind and will be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mason Township
Supervisor's Office
1225 Maple Ridge Road
Twining, MI 48766

Mason Township
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 183,133
Accounts receivable	1,008
Due from other governments	9,055
Capital assets-net	<u>92,394</u>
 Total assets	 <u>285,590</u>
 Liabilities	
Accounts payable	732
Accrued and other liabilities	<u>575</u>
 Total liabilities	 <u>1,307</u>
 Net Assets	
Invested in capital assets, net of related debt	92,394
Unrestricted	<u>191,889</u>
 Total net assets	 \$ <u><u>284,283</u></u>

See accompanying notes to financial statements.

Mason Township
Statement of Activities
Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for	Operating	Activities
		Services	Grants	Net (Expense)
				Revenue and
				Changes in
				Net Assets
Governmental Activities				
General government	\$ 57,979	\$ -	\$ -	\$ (57,979)
Public safety	16,000	500	-	(15,500)
Public works	6,636	-	-	(6,636)
Recreation and culture	793	-	-	(793)
Total governmental activities	\$ 81,408	\$ 500	\$ 0	\$ (80,908)
General Revenues:				
Property taxes				22,421
State revenues				63,709
Interest and investment earnings				4,278
Other				3,279
Total general revenues				93,687
Change in Net Assets				12,779
Net assets - beginning of year				271,504
Net assets - end of year				\$ 284,283

See accompanying notes to financial statements.

Mason Township
Governmental Funds
Balance Sheet
June 30, 2006

	General Fund
Assets	
Cash and investments (Note 3)	\$ 183,133
Due from other funds	1,008
Due from other governments	9,055
Total assets	<u>\$ 193,196</u>

Liabilities	
Accounts payable	\$ 732
Accrued and other liabilities	575
Total liabilities	<u>1,307</u>

Fund balances	
Unreserved:	
Designated (Note 13)	108,107
Undesignated	83,782
Total fund balances	<u>191,889</u>
Total liabilities and fund balances	<u>\$ 193,196</u>

Fund Balances - Total Governmental Funds	\$ 191,889
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial,
and are not reported in the funds.

The cost of capital assets is	\$ 123,995	
Accumulated depreciation is	<u>(31,601)</u>	
		92,394

Net Assets of Governmental Activities	\$ <u>284,283</u>
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See accompanying notes to financial statements.

Mason Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2006

	<u>General Fund</u>
Revenues	
Taxes and fees	\$ 22,421
State revenues	63,709
Charges for services	500
Interest and rentals	4,278
Other	3,279
Total revenues	<u>94,187</u>
Expenditures	
Current:	
General government	56,809
Public safety	16,000
Public works	53,510
Recreation and culture	143
Capital outlay	700
Total expenditures	<u>127,162</u>
Net changes in fund balances	(32,975)
Fund balances - Beginning of year	<u>224,864</u>
Fund balances - End of year	<u><u>\$ 191,889</u></u>

See accompanying notes to financial statements.

Mason Township
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (32,975)
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$ (4,345)	
Capital Outlay	<u>50,099</u>	
		45,754

Change in Net Assets of Governmental Activities	\$ <u>12,779</u>
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See accompanying notes to financial statements.

Mason Township
Fiduciary Funds
Statement of Net Assets
June 30, 2006

	Pension Trust Fund	Agency Fund
Assets		
Cash	\$ -	\$ 1,008
Investments - as fair value	<u>29,135</u>	<u>-</u>
Total assets	29,135	<u><u>\$ 1,008</u></u>
Liabilities		
Accounts payable	-	\$ -
Due to other funds	<u>-</u>	<u>1,008</u>
Total liabilities	<u>-</u>	<u><u>\$ 1,008</u></u>
Net Assets - Held in Trust for Pension Benefits	<u><u>\$ 29,135</u></u>	

See accompanying notes to financial statements.

Mason Township
Fiduciary Fund
Statement of Changes in Net Assets
Year ended June 30, 2006

	Trust Fund- Pension Fund
Additions	
Contributions:	
Employer	\$ 1,770
Investment earnings	<u>805</u>
Total Additions	2,575
 Deductions	
Benefits	-
Administrative expenses	<u>138</u>
Total deductions	138
 Net increase	2,437
 Net Assets Held in Trust for Pension Benefits	
Beginning of the year	<u>26,698</u>
End of the year	<u><u>\$ 29,135</u></u>

See accompanying notes to financial statements.

Mason Township
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Mason Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Mason Township
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the Township reports the following funds:

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulates resources for pension benefit payments to qualified employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Mason Township
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." The balance due from the Tax Fund to the General Fund represents untransferred tax collections. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2005 taxable value of the Township was \$15,291,826. The 2005 tax levy was 0.8840 mills for general operating purposes, raising \$13,514 for general operating purposes.

Inventories and Prepaid items - Inventories are not significant amounts at year end. Inventory is recorded as expenditures when purchased. Payments to vendors reflecting costs applicable to future fiscal years are recorded as prepaid items in both government wide and fund financial statements, if applicable.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$250 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20- years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Mason Township
Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as other bond expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Township has designated \$108,107 for future use for a Township hall.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

The fund financial statements focus on major funds rather than fund types.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budget by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. During the year, there were no amendments to the budget.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

Fund and Function						
General Fund:						
Public works	\$	<u>Appropriation</u> 50,000	\$	<u>Expenditure</u> 53,510	\$	<u>Variance</u> 3,510
Capital outlay		-		700		700

Mason Township
Notes to Financial Statements
June 30, 2006

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investments in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposit and investment policy are in accordance with statutory authority.

At year-end the Township's deposits and investments were reported in the basic financial statements in the following categories:

Government-wide Financial Statement Captions:	Governmental Activities		Fiduciary Funds		Township Total
Cash and cash equivalents	\$ 183,133	\$	1,008	\$	184,141
Investments	-		29,135		29,135
Total	\$ 183,133	\$	30,143	\$	213,276

The Township deposits at June 30, 2006 were:

Deposits (checking, savings and certificates of deposit)	\$ 184,141
Investments	29,135
	<u>\$ 213,276</u>

The only investments are in the Pension Trust Fund. These investments do not allow risk categorization.

Interest rate risk

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Township's cash requirements.

Mason Township
Notes to Financial Statements
June 30, 2006

Note 3 - Deposits and Investments (Continued)

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The Township has no investments for which ratings are required.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for deposit custodial risk. At June 30, 2006, \$8,107 of the Township's bank balances of \$184,287 was exposed to custodial credit risk because it was uninsured.

Note 4 - Receivables

The amount due from other governments at June 30, 2006 represents the amount due from the State of Michigan of \$9,055.

Note 5 - Capital Assets

Capital assets activity of the Township's Governmental activities were as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 400	\$ -	\$ -	\$ 400
Capital assets being depreciated:				
Infrastructure	17,579	49,399	-	66,978
Land improvements	2,801	-	-	2,801
Buildings	30,640	-	-	30,640
Furniture & equipment	22,476	700	-	23,176
Subtotal	<u>73,896</u>	<u>50,099</u>	<u>-</u>	<u>123,995</u>
Accumulated Depreciation				
Infrastructure	586	2,525	-	3,111
Land improvements	342	187	-	529
Buildings	12,667	463	-	13,130
Furniture & equipment	13,661	1,170	-	14,831
Subtotal	<u>27,256</u>	<u>4,345</u>	<u>-</u>	<u>31,601</u>
Net capital assets being depreciated	<u>46,640</u>	<u>45,754</u>	<u>-</u>	<u>92,394</u>
Governmental Activities Total Capital Assets net of Depreciation	<u>\$ 46,640</u>	<u>\$ 45,754</u>	<u>\$ 0</u>	<u>\$ 92,394</u>

Mason Township
Notes to Financial Statements
June 30, 2006

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,170
Public works	2,525
Recreation and culture	650
Total governmental activities	<u>\$ 4,345</u>

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 1,008	General Fund	\$ -
Fiduciary Fund	-	Fiduciary Fund	1,008
Total	<u>\$ 1,008</u>	Total	<u>\$ 1,008</u>

Note 7 - Risk Management

Mason Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Pension Plan

Mason Township has a defined contribution plan for elected officials through John Hancock. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and forfeitures of other participants benefits that may be allocated to such participant's account.

The Township pension plan agreement specifies which Township positions are covered by the plan. Contributions made by an employee and the Township vest immediately. An employee that leaves the employment of the Township is entitled to his or her account balance consisting of the employee and Township contributions, as well as earnings in the account. The Township is required to contribute an amount equal to 15% of the employee's gross earnings to the plan.

Mason Township
Notes to Financial Statements
June 30, 2006

Note 8 - Pension Plan (Continued)

During the year, the Township's required and actual contributions amounted to \$1,770, which was 6% of its current year covered payroll plus fees. There were no employee voluntary contributions. Covered payroll was \$26,782. Total payroll was \$32,365.

Employer	\$ 1,770
Administration Fees	<u>138</u>
	<u>\$ 1,908</u>

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees. The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

Note 9 - Joint Area Fire Board

Mason Township appropriates funds for fire protection and provides fire protection services through the Twining-Mason-Turner Fire Department. The Articles of Agreement creating the joint fire board are dated May 21, 2003. The Fire Board is comprised of two members each from Mason Township, Turner Township and the Village of Twining. The joint Fire Board was created to operate a fire department covering the Village of Twining, Mason Township and Turner Township areas. The Township Board approved a ten year extension of the Articles of Agreement on August 7, 2005. Any party may withdraw without liability beyond their annual obligation as provided in the agreement. In the event the fire board should be terminated at the end of the contract, the fire trucks shall be returned to the Village of Twining.

Financial information for the Fire Board can be obtained from the Fire Board Secretary at the Turner Township Hall or by contacting a Mason Township board member.

Note 10 - Designated Fund Balance

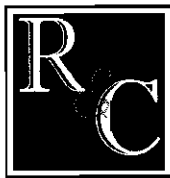
The Township Board has designated a portion of the fund balance as follows:

Township Hall	\$ 77,117
Roads	<u>30,990</u>
Total	<u>\$ 108,107</u>

Required Supplemental Information

Mason Township
 Budgetary Comparison Schedule - General Fund
 Year ended June 30, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Fund Balance - Beginning of year	<u>\$ 221,956</u>	<u>\$ 221,956</u>	<u>\$ 224,864</u>	<u>\$ 2,908</u>
Resources (Inflows)				
Taxes and fees	23,000	23,000	22,421	(579)
State revenues	64,000	64,000	63,709	(291)
Charges for services	1,500	1,500	500	(1,000)
Interest and rentals	5,000	5,000	4,278	(722)
Other	4,100	4,100	3,279	(821)
Amounts available for appropriation	<u>97,600</u>	<u>97,600</u>	<u>94,187</u>	<u>(3,413)</u>
Charges to Appropriations (Outflows)				
General government	68,500	68,500	56,809	(11,691)
Public safety	16,000	16,000	16,000	-
Public works	50,000	50,000	53,510	3,510
Recreation and culture	5,000	5,000	143	(4,857)
Capital outlay	-	-	700	700
Total charges to appropriations	<u>139,500</u>	<u>139,500</u>	<u>127,162</u>	<u>(12,338)</u>
Fund Balance - end of year	<u>\$ 180,056</u>	<u>\$ 180,056</u>	<u>\$ 191,889</u>	<u>\$ 11,833</u>



ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

November 21, 2006

To the Township Board
Mason Township

We have audited the financial statements of Mason Township for the year ended June 30, 2006, and have issued our report thereon dated November 21, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Mason Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Mason Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2006. We noted no transactions entered into by Mason Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Mason Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Mason Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Mason Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Mason Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Township Board and management of Mason Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


ROBERTSON & CARPENTER CPAs, P.C.